

The Changing Economic World

Knowledge checklist

Key ideas	How secure is my knowledge?		
<p>There are global variations in economic development and quality of life</p> <ul style="list-style-type: none"> • Different ways of classifying parts of the world according to their level of economic development and quality of life. • Different economic and social measures of development: gross national income (GNI) per head, birth and death rates, infant mortality, life expectancy, people per doctor, literacy rates, access to safe water. • Human Development Index (HDI). Limitations of economic and social measures. • Link between stages of the Demographic Transition Model and the level of development. • Causes of uneven development: physical, economic and historical. • Consequences of uneven development: disparities in wealth and health, international migration. 			
<p>Various strategies exist for reducing the global development gap.</p> <ul style="list-style-type: none"> • An overview of the strategies used to reduce the development gap: investment, industrial development and tourism, aid, using intermediate technology, fairtrade, debt relief, microfinance loans. • An example of how the growth of tourism in an LIC or NEE helps to reduce the development gap. 			
<p>Some LICs and NEEs are experiencing rapid economic development which leads to significant social, environmental and cultural change.</p> <ul style="list-style-type: none"> • A case study of one LIC or NEE to illustrate: • The location and importance of the country, regionally and globally. • The wider political, social, cultural and environmental context within which the country is placed. • The changing industrial structure. • The balance between different sectors of the economy. • How manufacturing industry can stimulate economic development • The role of transnational corporations (TNCs) in relation to industrial development. Advantages and disadvantages of TNC(s) to the host country. • The changing political and trading relationships with the wider world. • International aid: types of aid, impacts of aid on the receiving country. • The environmental impacts of economic development • The effects of economic development on quality of life for the population. 			
<p>Major changes in the economy of the UK have affected, and will continue to affect, employment patterns and regional growth</p> <ul style="list-style-type: none"> • Economic futures in the UK. • causes of economic change: de-industrialisation and decline of traditional industrial base, globalisation and government policies. • Moving towards a post-industrial economy: development of information technology, service industries, finance, research, science and business parks. • Impacts of industry on the physical environment. • An example of how modern industrial development can be more environmentally sustainable. 			

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| <ul style="list-style-type: none">• Social and economic changes in the rural landscape in one area of population growth and one area of population decline.• Improvements and new developments in road and rail infrastructure, port and airport capacity.• The north–south divide. Strategies used in an attempt to resolve regional differences.• The place of the UK in the wider world.• Links through trade, culture, transport, and electronic communication. Economic and political links: the European Union (EU) and Commonwealth. | | | |
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PREVIEW

Section I

The Development Gap

Measuring Development

Definitions

- **Development** is the progress of a country in terms of economic growth, the use of technology and human welfare. There are different types of development, including economic, social, cultural and environmental developments.
- **Low income country (LIC)** – countries that have a GNI per capita of \$1,045 according to the World Bank. These are poorer countries that have mainly primary jobs such as farming and mining. Countries include Bangladesh and Mali.
- **High income country (HIC)** - a country that has a GNI per capita of \$12,746 or above according to the World Bank. These are richer countries that have lots of industry and service jobs such as the UK and Japan.

1. Fertility rate

- Total Fertility Rate = average number of children born to each woman over the course of her life (independent of age – sex structure of the population).
- General Fertility Rate = number of births per 1000 women aged 15 to 45.

2. Dependency Ratio

- The ratio of economically active to economically inactive people within a population.

3. Infant mortality rate

- The annual number of deaths of infants under age 1 per 1000 live births.

4. Life expectancy

- The number of years an individual is expected to live.

5. Migration

- Migration is the movement of people. It can involve a permanent or temporary movement and can be voluntary or as in the case of refugees forced.

6. Natural Increase

- The difference between birth and death rates.

7. Population distribution

- The way in which a population is spread over an area.

8. Population density

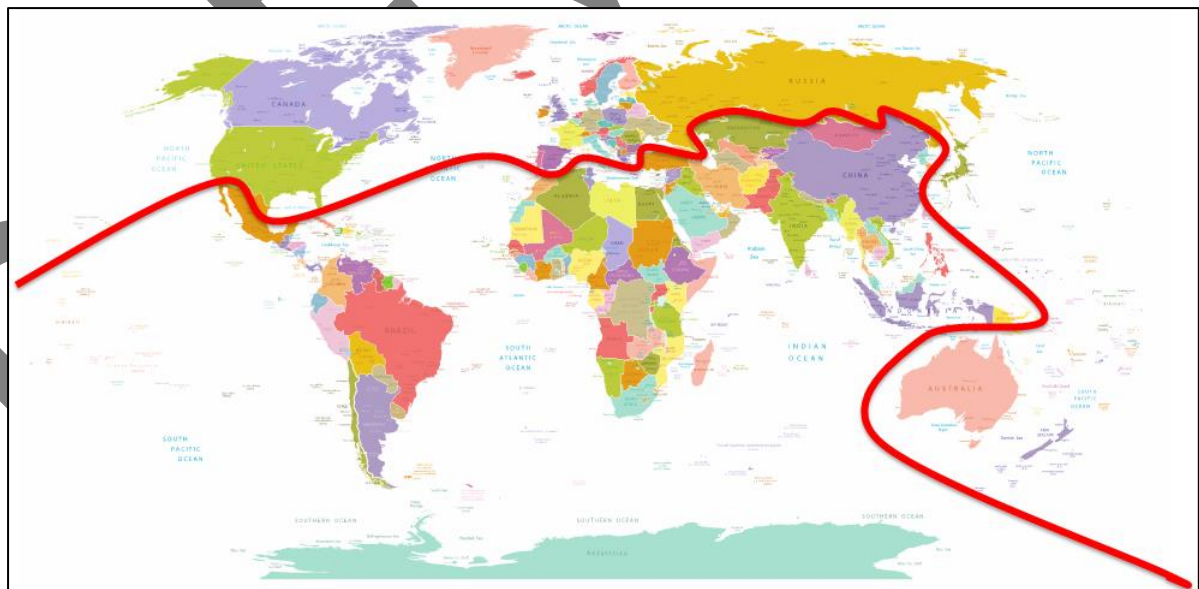
- The number of people per specified area.

Classifying Development

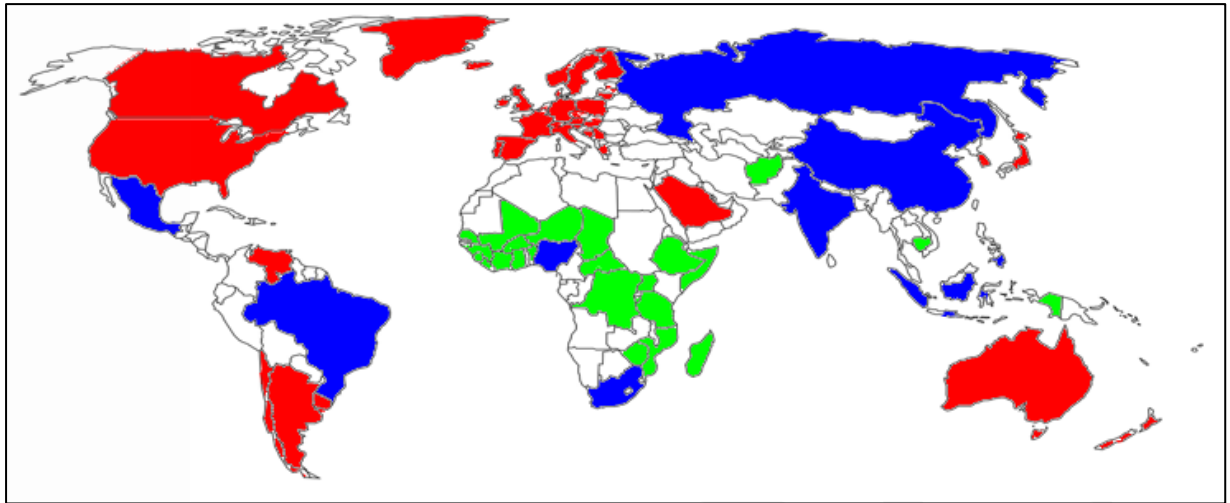
“The difference in affluence between richer and poorer countries. This gap has increased over time.”

The Brandt Line (1980)

- This line is a visual depiction of the supposed North-South divide.
- On your blank map, draw (in pencil) where you think the Brandt line would be.
- Were you correct?
- What do you think the problems with this sort of classification are?



HICs, LICs and NEEs



HICs

- The wealthiest countries in the world.
- GNI per head is high.
- High quality of life.
- E.g. UK, USA, France, Germany.

LICs

- The poorest countries in the world.
- GNI per head is low.
- Low quality of life.
- E.g. Afghanistan, Somalia, Uganda.

NEEs

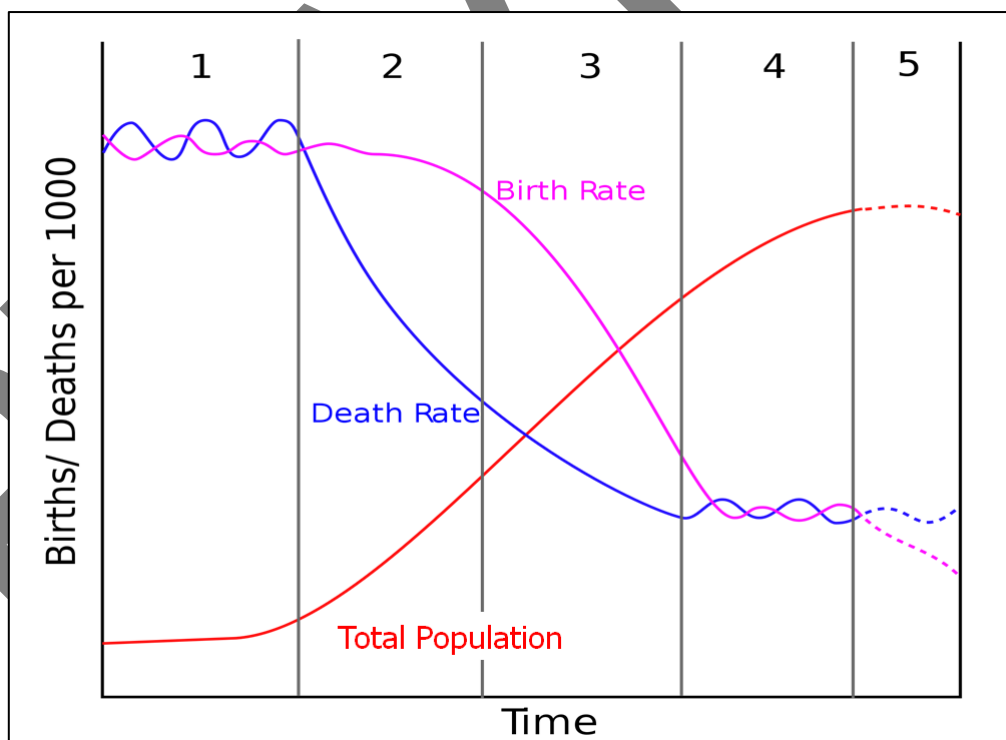
- Rapidly getting richer.
- Moving from primary to secondary industry.
- Quality of life for citizens is improving.
- E.g. India, China, Brazil, Russia.

The Development Continuum

- As countries develop, they pass from one condition to another.
- The transition is gradual, with no abrupt points of change.
- The development process, with countries at different stages of development and developing in different ways, is referred to as the development continuum.

The Demographic Transition Model

- The DTM describes a sequence of changes over a period of time in the relationship between birth and death rates and overall population change.
- The model is based on population changes in several industrialised countries in western Europe and North America.
- The model suggests that all countries will pass through similar demographic transition stages of population cycles.
- There are 5 stages to the DTM



Stage 1 (high fluctuating)

- A period of high fluctuating birth and death rates (around 35 per 1000) which gives a small population growth.

Reasons:

- Limited birth control and family planning.
- High infant mortality.
- Children are the source of future income.
- In some cultures children are the sign of fertility.
- Some religions encourage large families.
- High incidence of disease.
- Poor nutrition and famine.
- Poor levels of hygiene.
- Little medical science including doctors, hospitals and drugs.

Stage 2 (early expanding)

- Birth rates remain high but death rates fall rapidly to about 20 per 1000 people giving a rapidly expanding population.

Reasons:

- Improved public health.
- Decrease in child mortality.
- Improved medical provision and vaccinations.
- Improvement in food production (better nutrition).
- Improved transport to move food, doctors etc.

Stage 3 (late expanding)

- Birth rates fall rapidly to around 20 per 1000 people. Death rates continue to fall (15 per 1000 people) to give a slow increasing population.

Reasons:

- Changing socioeconomic reasons.
- Emancipation of women. Women now educated and having own careers and therefore having children later or not at all.
- Preference for small families.
- Increased personal wealth and desire for material possessions.
- Compulsory schooling makes children more expensive.
- Low infant mortality rates.
- Availability of family planning.
- Availability of abortion.

Stage 4 (low fluctuating)

- Low birth rates (16 per 1000) and low death rates (12 per 1000) which fluctuate slightly to give a steady population.
- Population growth is small.
- Fertility dropping.
- More women in work force.

Stage 5 (decline)

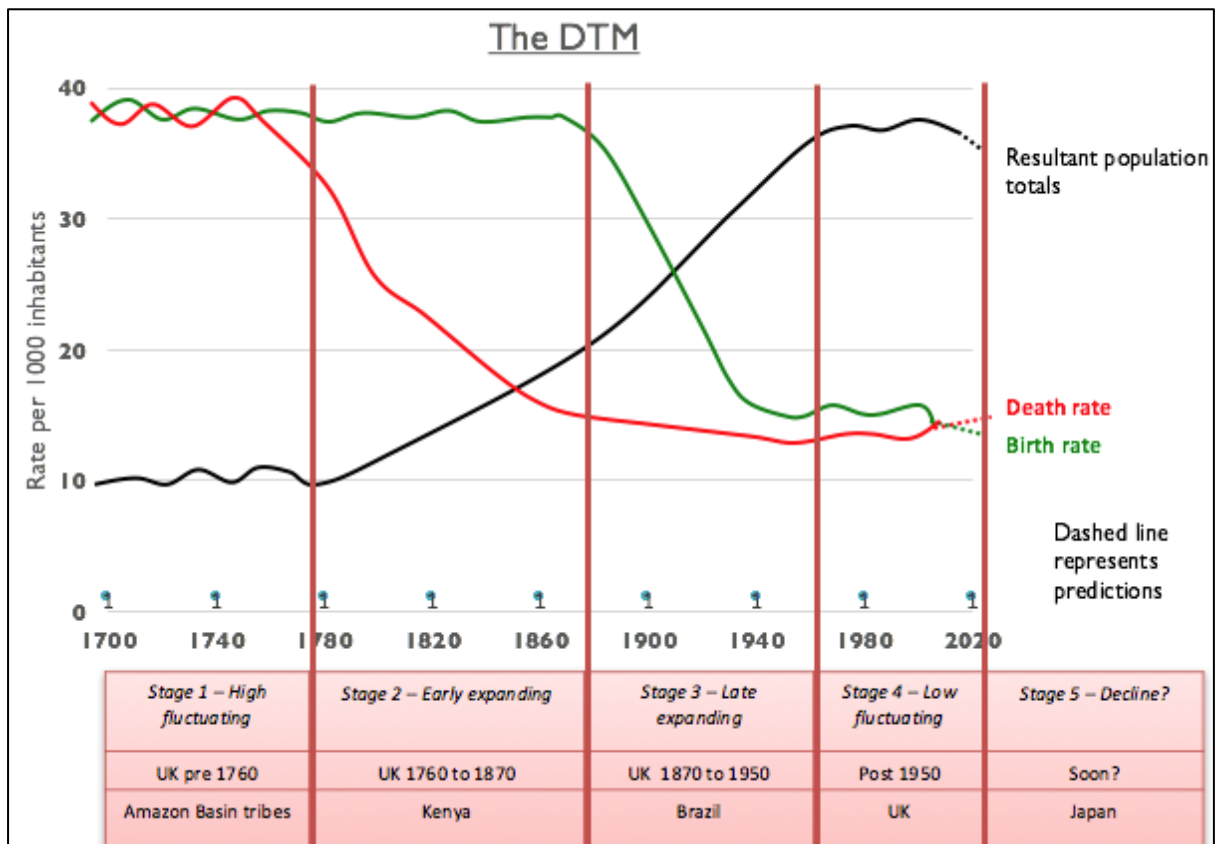
- Death rate slightly exceeds birth rate.
- Population declines.

Reasons

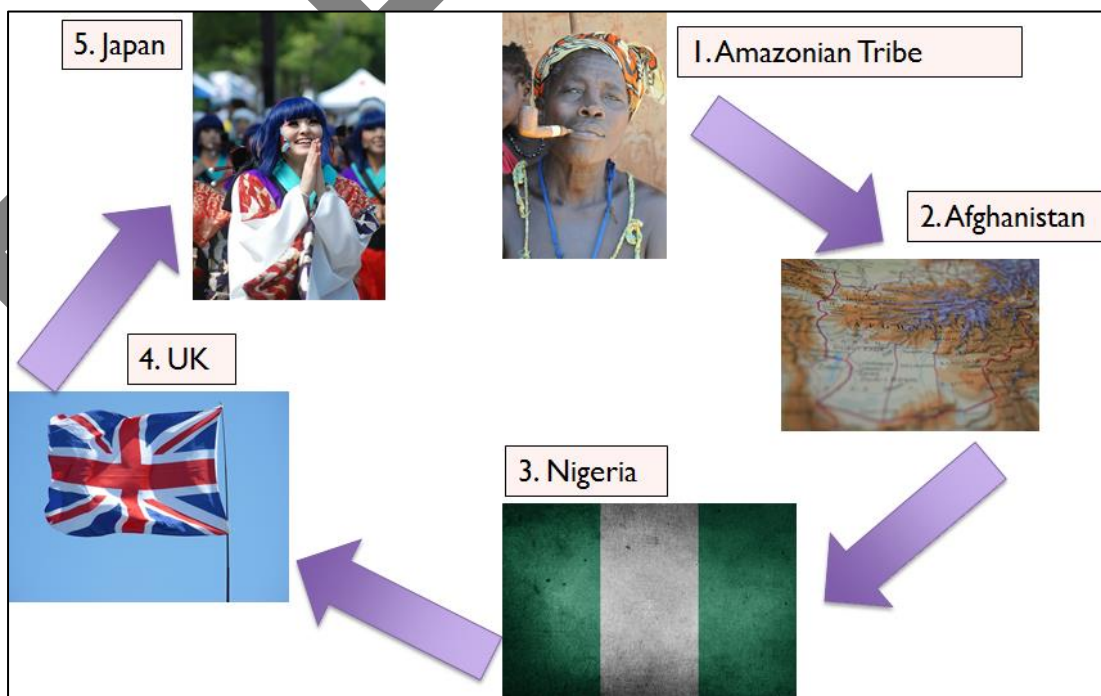
- Emancipation of women in the labour market.
- Greater financial independence of women.
- Concerns of population growth and resources.
- Increase in same sex relationships.
- Rise in the concept of childlessness.

- Ageing population causes increased death rate.

The DTM in detail



DTM Nation Examples



Uses of the DTM

- The concept is universal.
- It can be used to predict how a population will change over time.
- It is easy to understand.
- Enables demographic comparisons between countries.
- It describes what has happen in the UK.
- USA and many other western countries have also been through the same stages.
- Some countries are going through it at the moment - Newly Industrialised Countries, like South Korea.
- Explains what has happened.
- Explains why it happened in that particular sequence.

Limitations

Like all models the DTM has its limitations.

- There is now a need for a stage 5 as in some countries population are declining.
- The model is Eurocentric and assumes all countries will pass through all 4 stages.
- Some countries may never reach industrialisation.
- Stage 2 of the model assume death rates fall due to industrialisation. However in the UK during stage 2, death rates rose due to insanitary conditions which arose due to rapid growth and it only fell after advances in medicine.
- The fall in birth rate in stage 3 has been less rapid due to political or religious opposition to birth control. Whereas in some countries the fall was more rapid due to government policies (China).
- - The timescale in some South-east Asian countries is being squashed as they are developing at a much faster rate than the early industrialised countries did.
- MEDC's and LEDC's have gone through population change in a number of different ways.

LEDCs have generally.....

- Had higher birth rates in stages 1 and 2.
- Had steeper falls in death rates.
- Larger population bases in stages 2 and 3 due to higher populations in stage 1 and therefore the fall in fertility has been greater.
- There has been a weaker relationship between population change and economic development.

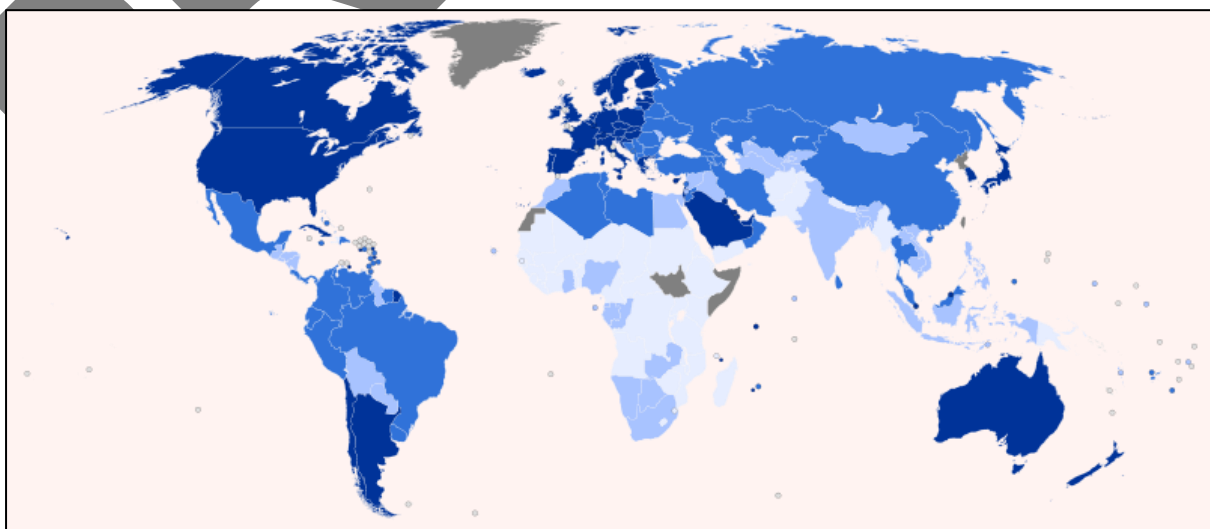
Reducing the correlation

First, Second, Third and Fourth Worlds

- Earliest method and was from a Western perspective.
- Europeans saw themselves as First World.
- Their colonies e.g. Australia, USA were termed Second World. As well as communist countries.
- Poorer countries were termed Third World.
- Increasing gaps between poorer countries meant the Fourth World was needed for the very poorest countries.

Managing disparities in development

HDI



Wealth and health – uneven development

Wealth

- Each year, the Government publishes a survey of income poverty in the UK called Households Below Average income (HBAI).
- This survey sets the poverty line in the UK at 60 per cent of the median UK household income.
- In other words, if a household's income is less than 60 per cent of this average, HBAI considers them to be living in poverty.
- There are 3.6 million children living in poverty in the UK today. That's 27 per cent of children, or more than one in four.
- People are poor for many reasons. But explanations which put poverty down to drug and alcohol dependency, family breakdown, poor parenting, or a culture of worklessness are not supported by the facts.
- Work does not provide a guaranteed route out of poverty in the UK. Almost two-thirds (62 per cent) of children growing up in poverty live in a household where at least one member works.
- Child poverty has long-lasting effects. By 16, children receiving free school meals achieve 1.7 grades lower at GCSE than their wealthier peers. Leaving school with fewer qualifications translates into lower earnings over the course of a working life.

Which of these traits do you associate with the more affluent?

- Eat healthy.
- Access to healthcare.
- Less educated about health.
- Fast foods.
- Access to exercise facilities.
- Good understanding of lifestyle impacts on health.

N/S divide –

Average income

- NE = £141 less than UK average.
- SE - £91 more than UK average.

Gender

- Women live longer but are twice as likely to have a higher morbidity due to chronic illness (arthritis).
- Develop CHD later than men.
- Men more likely to smoke and drink.
- Women take better care of their health.

Education

- Better educated = healthier lifestyle:
 - Why?
 - Money!
- 2015, 18.8% of working age in NE had no qualifications. Compared to 10.7% of working age population in the SW.

Occupation

- Those in manual jobs are 3 times more likely to suffer from poor health than those in non manual jobs.
- More manual jobs in the North.
- Those in non-manual more likely to suffer from stress and mental health problems.
 - London has highest reported cases of stress.

Environment and Pollution

- Big cities
 - More pollution.

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- Poor health.
 - London has high rates of respiratory disease due to poor air quality.
 - Hard water vs soft water.
 - Areas with natural radiation.

Quality of living and development

Standard of living

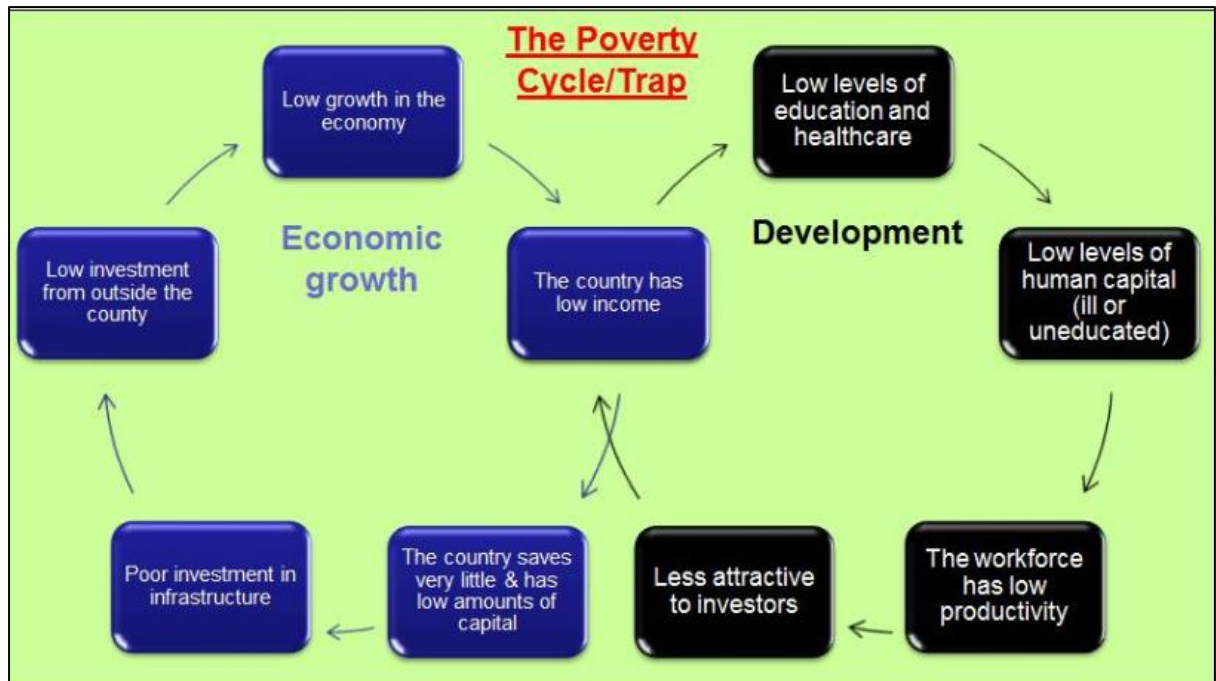
- Standard of living refers to the level of wealth, comfort, material goods and necessities available to a certain socioeconomic class in a certain geographic area.
- It is usually measured through economic indicators like GNI per capita, type of employment, poverty rate etc.

Quality of life

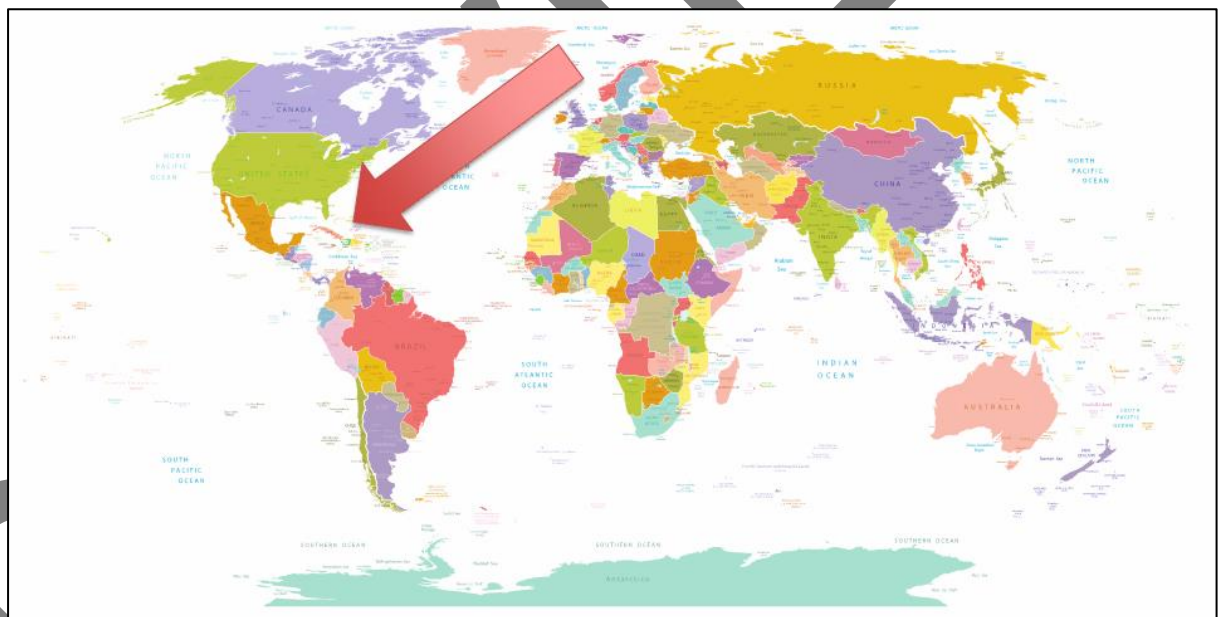
- Quality of life refers to the general well-being of individuals and societies. The term is used in a wide range of contexts, including the fields of international development and politics.
- How happy people are with their day to day lives has recently entered this definition.
- It is measured using mainly social indicators such as infant mortality, literacy, life expectancy – indeed these three are combined to make the PQLI – Physical Quality of Life Index.

What is the difference?

- The difference is quite subtle.
- Indeed there is quite a lot of overlap.
- People with a high standard of living generally have a good quality of life, although that does not mean that people with low standards of living cannot be happy.



Tourism in Jamaica



- Jamaica is an island in the Caribbean Sea within the Tropics.
- It is located close to other major islands. It is located south and to the west of Haiti.
- It is located in the Caribbean sea.
- Most popular tourist destination inn the Caribbean.
- Number of visitors: 1.3million (2001).

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- Employs: 220,000 Jamaicans directly.
 - Total earnings: \$1.3 billion.

PREVIEW

Section 2

Nigeria



- Some countries have begun to experience higher rates of economic development, with a rapid growth of industry. These are known as NEE's.

Here are some facts about Nigeria:

- In 2014 it became the world's 21st biggest country.
- It is predicted to have the world's higher growth in GDP from 2010-2015.
- Nigeria supplies the world with 2.7% of its oil.
- It has developed a very diverse economy including financial services, telecommunications and the media.
- It is the fifth largest contributor to the UN peacekeeping missions around the world.
- Nigeria is one of the fastest growing economies in Africa.

- In 2014 it had the largest GDP in the continent.
- It has a population of 184 million- the highest in Africa.
- It has the highest farm output in Africa.
- Nigeria could lead the way in Africa's future development.
- It has problems- corruption, poor infrastructure and power cuts.
- Without Nigeria Africa would struggle to develop on its own.

Year	Pop. (Millions)	Annual Change (%)	Fertility Rate	Urban Pop. (%)	Urban Pop. Total	% of World Pop.
2015	182.2	2.71	5.74	48.10	87.6	2.63
2010	159.4	2.69	5.91	43.60	69.4	2.45
2005	139.6	2.59	6.05	39.10	54.5	2.28
2000	122.8	2.53	6.17	34.80	42.8	2.14
1995	108.4	2.55	6.37	32.20	34.9	2.04
1990	95.6	2.65	6.6	29.70	28.3	1.97

LIC/HIC vs NEE

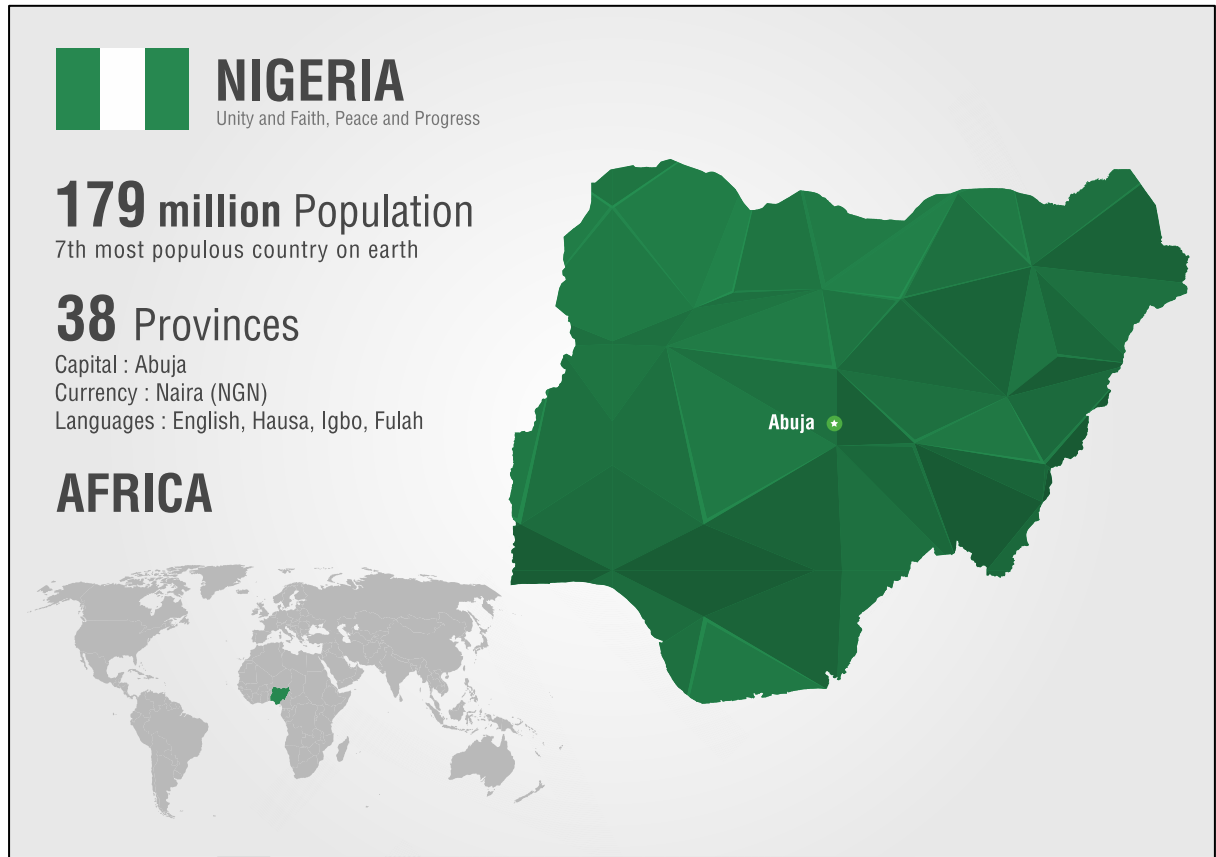
- This subdivision of countries is based on the World Bank income classifications (GNI per capita), which in 2013 were Low Income \$1,045 or below, and High Income \$12,746 or above.

Newly emerging economies (NEEs)

- Countries that have begun to experience high rates of economic development, usually with rapid industrialisation. They differ from LICs in that they no longer rely primarily on agriculture, have made gains in infrastructure and industrial growth, and

are experiencing increasing incomes and high levels of investment. E.g. Brazil, Russia, China and South Africa (the so-called BRICS countries).

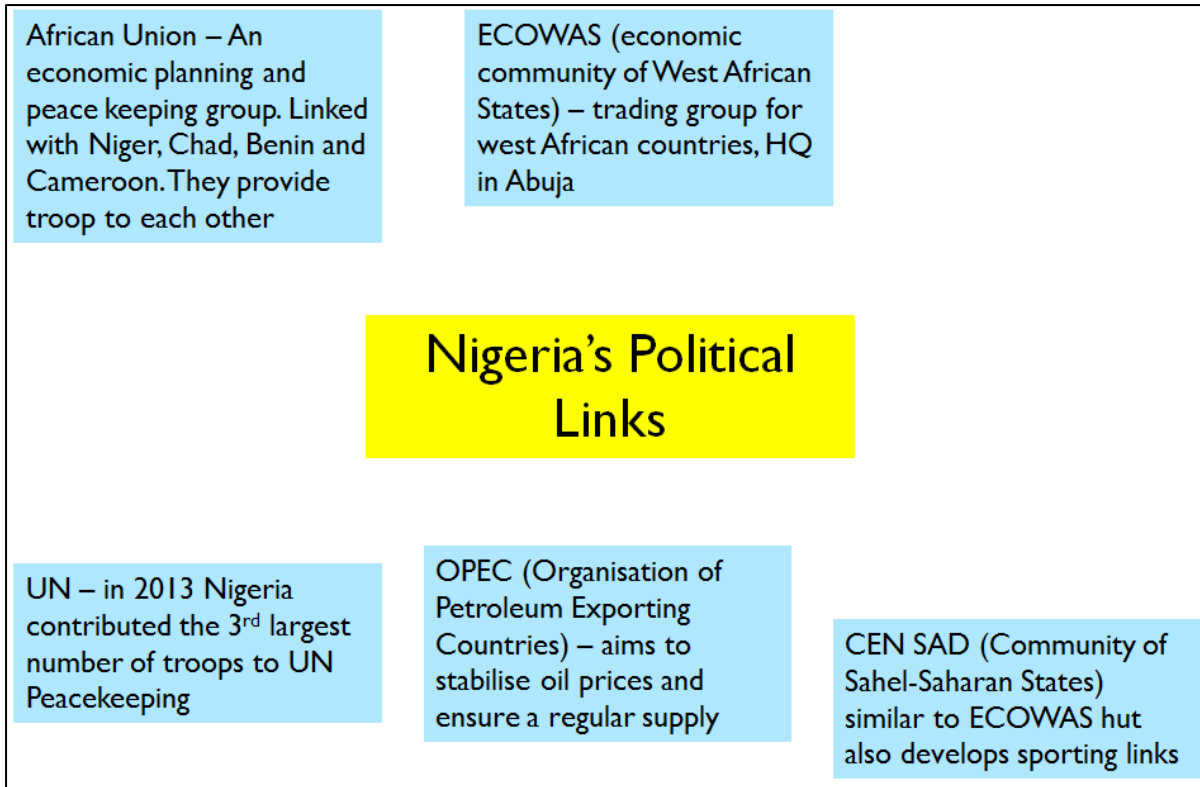
Exploring Nigeria



Nigeria and the Wider World

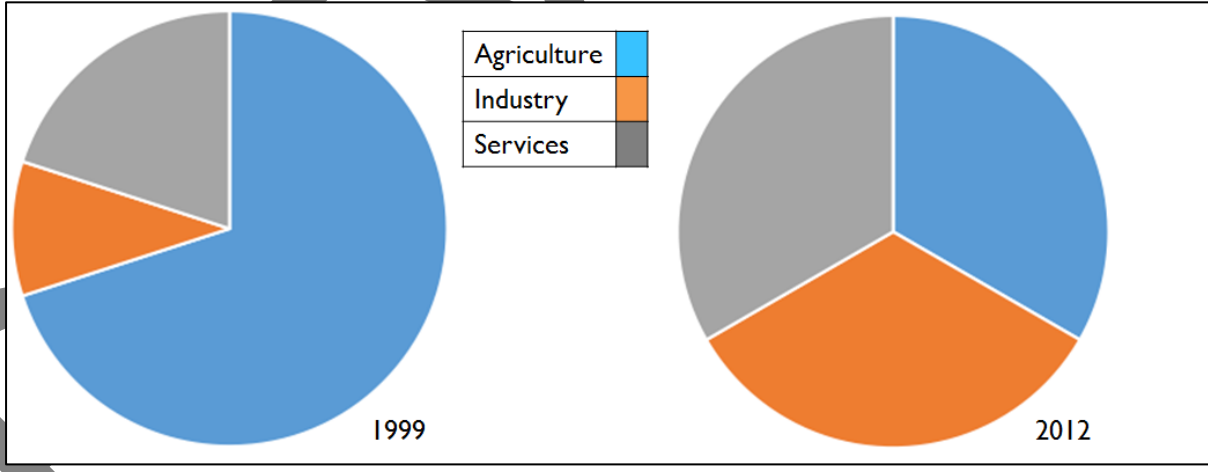
Nigeria and its economy

- Industrial structure - The relative proportion of the workforce employed in different sectors of the economy (primary, secondary, tertiary and quaternary).
- Primary industries involve gathering raw materials from the Earth.
- Secondary industries involve making, building or processing raw materials into finished products, usually in factories.
- Tertiary industries provide a service.
- Quaternary industries do high-tech research to develop new things.



Nigeria – Manufacturing and TNCs

Nigeria employment structure



Why is Nigeria's economy developing?

- Rapid technological advancements.
- Greater environmental concerns.
- Large English speaking population.
- Investment in science and technology.

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- IT driving the economy rather than oil.
 - Increased use of telecommunication.

The impact of aid

Effects of Global Recession

- 2009
- Economic recession affects wealthy countries. In turn affecting the countries with whom it trades or exchanges loans and debts.
 - Aid will reduce in size and frequency.
 - Poor countries will receive less for exports.
 - They will then be less likely to pay off debts.
 - Further debt or financial ruin for both MEDCs and LEDCs.

Loans and Aid

- Loans are sums of money that at some time in the future have to be paid back with interest.
- Aid is gifts of money, goods, food, machinery, technology and trained workers. The aim is to raise standards of living.
- A country in need of funds for development projects can borrow money from other countries, world financial organisations (IMF, World Bank) or international banks.

What is aid?

- Developmental aid- this is long term aid given by charities, governments and multi-lateral organisations. It aims to improve quality of life by providing safe water, education or improvements in infrastructure such as roads and electricity supplies.
- Emergency aid- this usually follows a natural disaster, war or conflicts. Aid may take the form of food, water, medical supplies and shelter.

Quality of life in Nigeria

Lagos

- One of the fastest growing cities in the world.
- The highest GDP of any African city.
- The African financial capital.
- One of the busiest ports in Africa.
- Formerly the capital city.
- Around 21 million people live in Lagos.

HDI

- HDI measure life expectancy, income and literacy rate.
- Nigeria's has been steadily increasing since 2005 – in fact it is one of the fastest growing HDI's of any nation in the world.
- Despite this many are still poor and the rich-poor gap is widening.

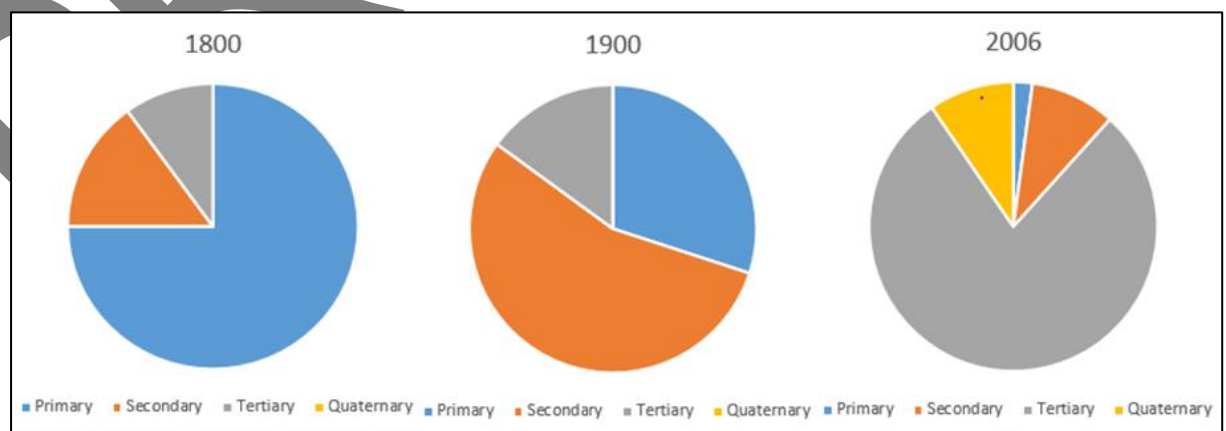
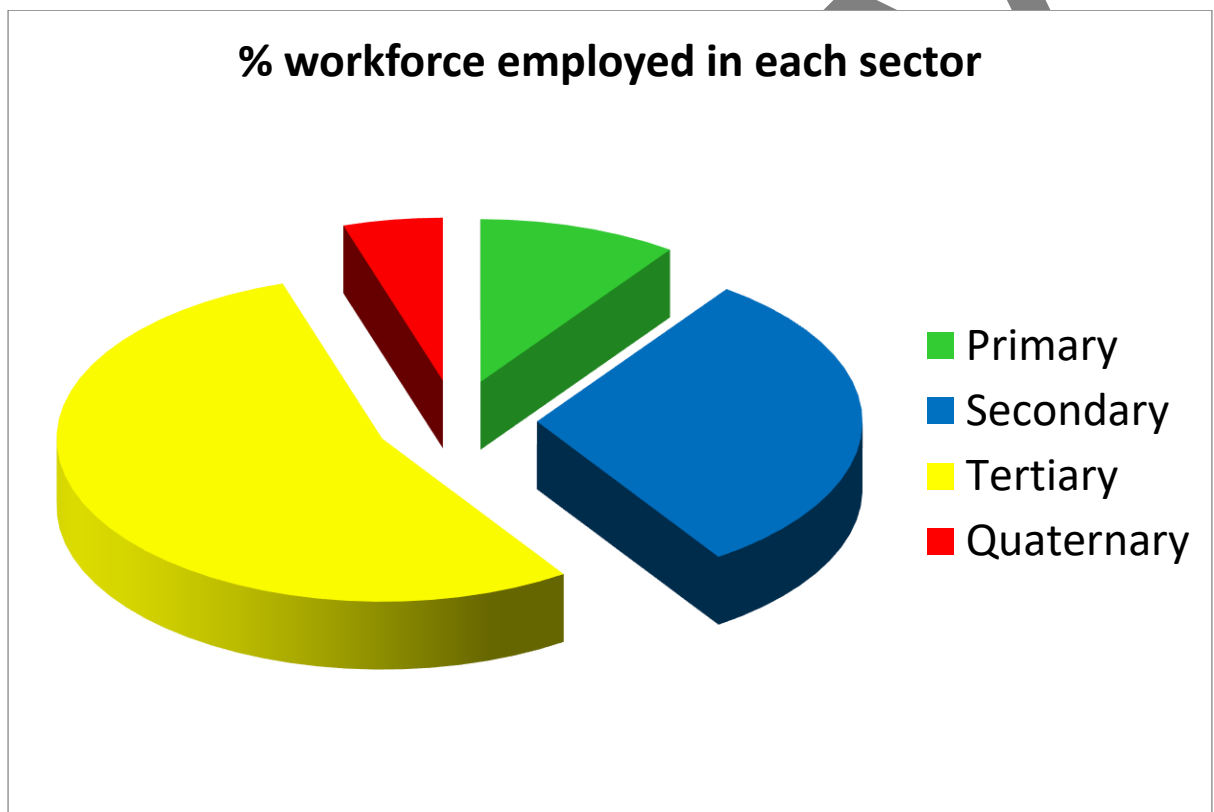
Section 3

The UK economy

UK employment

What is 'employment structure'?

- These 'sectors' combine to create an employment structure for a country, often shown as a pie chart.



Why has the economy of the UK changed?

- Deindustrialisation and the decline of traditional industries.
- Globalisation.
- Government policies.

Deindustrialisation and the decline of traditional industries

- The UK has been experiencing deindustrialisation for several decades. This is the decline in manufacturing (secondary) industry and the subsequent growth in tertiary and quaternary employment. In the UK this has happened because:
- Machines and technology have replaced many people in modern industries e.g. car production.
- Other countries e.g. China, Malaysia and Indonesia, can produce cheaper goods because labour there is less expensive.
- Lack of investment, high labour costs and outdated machinery made UK products too expensive.
- Traditional UK industries – coal mining, engineering and manufacturing have now declines. Instead the UK is now a world centre for financial services, media, research and the creative industries.

Globalisation

- Globalisation is the growth and spread of ideas around the World. This can involve the movement or spread of cultures, people, money, goods and information

Government Policy

1945-1975:

- State run industry.
- E.g. British Rail and British Steel Corp.
- Government money propped up declining industries.
- Ageing equipment made industries unprofitable.

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- Many people went on strike.

1979-2010:

- State run industries sold off.
- Privatisation.
- Lots of jobs lost.
- Private companies brought innovation and change.
- New financial centres.
- Modern retail.

2010 onwards:

- Rebalancing the economy.
- Rebuilding UK manufacturing sector.
- Improved transport infrastructure e.g. London Crossrail.
- More investment in manufacturing e.g. Rolls Royce.
- Easier access to small business loans.

Post Industrial Economy

- Post industrial economy - The economy of many economically developed countries where most employment is now in service industries.
- Deindustrialisation - The decline of a country's traditional manufacturing industry due to exhaustion of raw materials, loss of markets and competition from NEEs.
- Sustainability - Development that meets the needs of the present without limiting the ability of future generations to meet their own needs.

What has caused the UK to move to a post-industrial society?

- The development of IT.
- Service industries and finance.
- Research.

Business and Science Parks

- Business Parks are purpose built areas of offices and warehouses, often at the edge of a city and on a main road. Science parks are often located near university sites, and high-tech industries are established. Scientific research and commercial development may be carried out in co-operation with the university.

Activities found in business and science parks around the UK;

- Development of information technology,
- Service industries,
- Finance.
- Research,
- Science and business parks.

Science and Business Parks

- A science park is a planned industrial complex which contains quaternary companies while a business park can also contain manufacturing companies.

Cambridge Business Park

- This business park is home to brands such as HP, Siemens, Santander, P&G, accenture, IBM and EE.

The Environmental Impact of Industry

Hanson Cement – Ketton

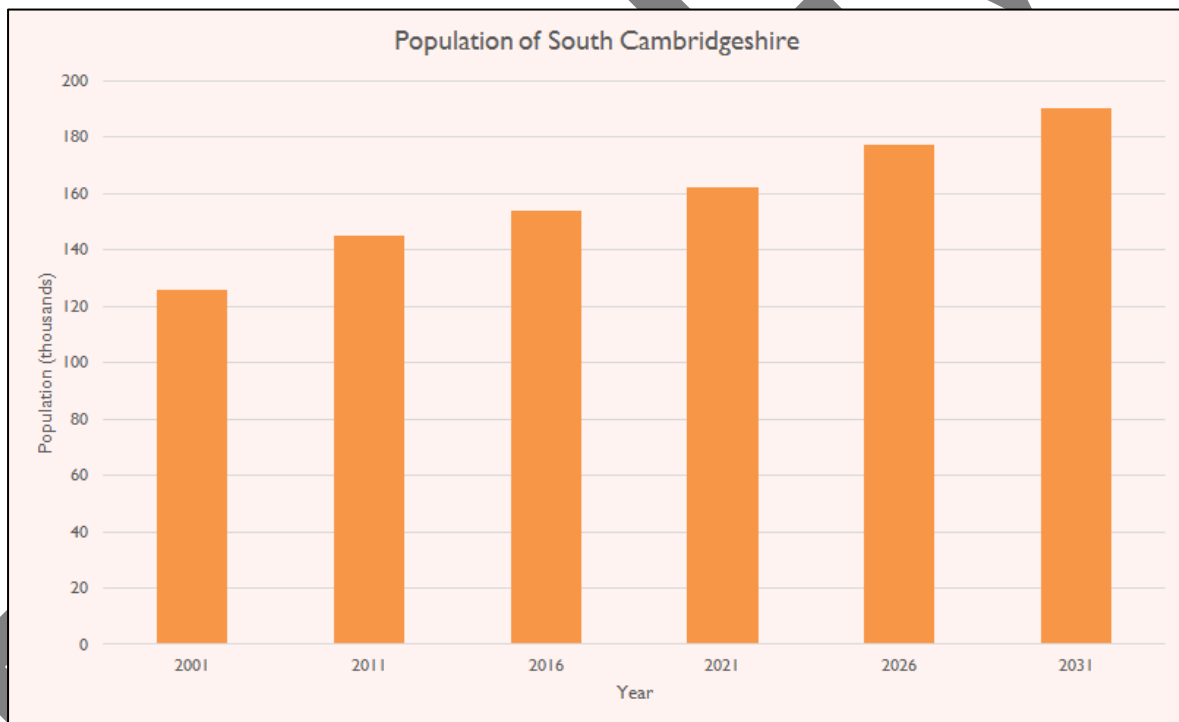
It has been operational since 1923 (93 years):

- It was sited in this location as there is a good supply of limestone, the mineral needed to make cement. The quarry and processing plant supplies to major builders around the country, and supplied most of the cement used for the 2010 Olympics.
- Near A1 means that it is easy to transport goods around country.
- Near Stamford, means lots of workers and people / businesses to sell to.

The Locals

- However some people are not too happy with Castle Cement. They say the plant is **ugly**, that it creates a lot of **noise** from blasting and the **big lorries** that move around the area. Some environmentalists are worried about the effect the noise and **destruction** of grassed areas will have on **animal habitats**. Tourists **don't like the look** of the cement plant and quarry, they say it **ruins** the Lincolnshire countryside. Finally many locals are **angry about the dust created** by the blasting which takes place to mine the limestone.
- Castle Cement is clearly seen by some as a good thing for the local area, and for others as a bad thing.

Rural Economies



UK Infrastructure Development

Road improvements

- In 2014 the government announced a £15 billion 'Road Investment Strategy'.
- The aim is to increase the capacity and improve the condition of the UK roads.

Improving our roads

£15.2 billion invested in over 100 major schemes to enhance, renew and transform the network

Making the network safer, contributing to a 40% reduction in deaths and serious injuries by the end of 2020

84 wholly new schemes, 69 of which will enter construction by 2020/21

Supporting the smooth flow of traffic so that 85% of incidents are cleared in an hour, and 97% of the network remains open

£3.7 billion for 64 new schemes to improve safety, ease congestion and unlock growth across the country

An additional £900 million in ringfenced funds to address key local challenges across the network, including funds for:

- the Environment
- Air Quality
- Cycling, Safety & Integration
- Innovation
- Growth & Housing

Airports

- Airports are vital to the economy of the UK, Creating vital global links.
- It provides thousands of jobs and boosts economic growth massively:
- 300,000 people employed.
- 3.6% of UK GDP.

The North-South Divide



- The north-south divide refers to the real or imagined cultural and economic differences between:
- The south of England.
- The north of England.

The UK in the wider world

Globalisation

- Globalisation is the process by which the world is becoming increasingly interconnected as a result of massively increased trade and cultural exchange. Globalisation has increased the production of goods and services.

What is trade?

- When one country sells or **exports** its goods or services to another.
- Exports earn money for the exporting country so they are usually good for development.

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- One country's exports become another's **imports** which that country has to pay for.
 - The difference between exports and imports is called the **balance of trade**.
 - If exports > imports = **trade surplus**.
 - If exports < imports = **trade deficit**.

Trade

- International trade is dominated by developed countries – that is how they became developed!
- NICs like India and China are increasing their share of world trade but for many developing countries trade is another obstacle to development for two reasons:
 1. The pattern of trade for those countries which depend on primary products (raw materials) as exports is unfair.
 - Raw materials are cheap and value is added to them by manufacturing them into something else. This is done in more developed countries, therefore a country which exports raw materials will have to import manufactured goods at greater cost.
 - Primary products are traded in places like London and New York, far away from the producers. Prices go up and down and can sometimes be so low that producers do not cover costs. They cannot change crops quickly enough to minimise this impact – coffee bushes take years to grow for example.
 2. Unfair trade – developed countries have an unfair advantage. Farmers in these countries usually have a strong political voice and are supported in a number of ways:
 - Subsidies – grants made to farmers to help them produce food, making it cheaper to export (sometimes to developing countries).
 - Protection by quotas which restrict food imports, and tariffs which make imports from developing countries more expensive.
 - The WTO (World Trade Organisation) sets the rules of trade.

Trade Blocs

- Trade blocs: An agreement between states, regions, or countries, to reduce barriers to trade between the participating regions.
- European Union- The EU has become the most powerful trading bloc in the world with a GDP nearly as large as that of the United States.
- COMESA- Common Market for Eastern and Southern Africa.
- A free trade area with nineteen member states stretching from Libya to Zimbabwe.

PREVIEW